

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

FEDERAL DEPOSIT INSURANCE
CORPORATION,

Plaintiff,

V.

SAINT ANDREWS FORUM GOLF SHOP, LTD, et al.,

Defendants.

Case No. 2:10-CV-00869-KJD-LRL

ORDER

Currently pending before the Court is Plaintiff Federal Deposit Insurance Corporation's ("FDIC") Motion for Temporary Restraining Order, Preliminary Injunction, Writ of Possession, and to Appoint Receiver (##4, 5, 16, 17). Defendants filed a Response in opposition (#13), to which the FDIC filed a Reply (#15). The Court held a Hearing on the Motion for Temporary Restraining Order (#4) on June 11, 2010, in which the Parties submitted a Stipulation regarding the disposition of collateral pending resolution of the pending Motions (#12), the Court granted the stipulation, thus precluding any necessity for the issuance of a Temporary Restraining Order. Also before the Court is Defendants' Motion to Dismiss (#19). The FDIC filed a Response in opposition (#20), to which Defendants filed a Reply (#21).

I. Background

This action arises from a series of five loans (“Loans”) entered into between Community Bank of Nevada and Defendants Saint Andrews Forum Golf Shop, Ltd., Saint Andrews Golf Shop, Ltd., and BE District, LLC (collectively “Borrowers”) totaling over \$2.1 million to fund the Borrowers’ golf shop operations. (“Loans”) Defendants John and Ken Boreta, John and Ken Boreta 2000 Trust, Ron and Stacey Boreta, Ron Boreta Separate Property Trust, Saint Andrews, Ron Boreta,

1 (collectively referred to as “Guarantors”), executed Commercial and unconditional guarantees for
2 each of the loans. (#1 at ¶¶ 29, 36, 46, 55).

3 On August 14, 2009, the Nevada Financial Institutions Division closed Community Bank of
4 Nevada and the FDIC was appointed as Receiver pursuant to 12 U.S.C. § 1821. As the Receiver, the
5 FDIC succeeds to all rights, titles, powers, and privileges of the Bank and is authorized to pursue any
6 claims the Bank may have brought, in accordance with 12 U.S.C. § 1821.

7 It is undisputed that the Borrowers failed to make their payments on their respective loans,
8 and that none of the Guarantors made any payment or tendered performance of the Borrowers’
9 obligations. Resultantly, the FDIC filed its Complaint in this action on June 7, 2010, bringing
10 nineteen claims for relief alleging Breach of Contract, Breach of Guaranty Agreements, Breach of the
11 Implied Covenant of Good Faith and Fair Dealing, Declaratory Relief, Claim and Delivery, and
12 Special Damages. The FDIC avers that under the loan documents, the entire amount of the
13 Borrowers’ debt is due and payable to the FDIC as Receiver. (#1 at ¶ 61.)

14 The landscape of this action has changed dramatically since the initial Motions for Injunctive
15 Relief were filed. Specifically, the Stipulation Regarding the Disposition of Collateral filed by the
16 parties following the Hearing (#11) on the Motion for Injunctive Relief, provides that during the
17 pendency of the litigation, the Defendants will be able to keep their respective stores open and
18 operating to their best efforts in the ordinary course of business. (See #12.) The Stipulation further
19 provides that in the event any of the stores receives notice of default, foreclosure, or eviction on any
20 claim concerning a breach of the store’s lease, Defendants will notify the FDIC in writing within 24
21 hours. The Stipulation further provides that the Defendants will not inure any liability outside the
22 ordinary course of business, and that the Defendants shall not remove the collateral or inventory from
23 the existing store locations or sell, offer to sell, or otherwise transfer or dispose of the collateral
24 outside of the ordinary course of Defendants’ business, without prior written consent of the FDIC.

25 On August 12, 2010, Defendants filed a Motion to Dismiss (#19) alleging that the FDIC “sold
26 all of the loans that are the subject of the Complaint . . . to an independent third party.” (#19 at 2.)

1 The FDIC filed a Response in opposition (#20), to which Defendants filed a Reply (#21). In its
2 Opposition, the FDIC concedes that it has sold four of the five loans to a third party, but argues that
3 because it retains interest in one loan, and because its interests in the remaining loans may transfer to
4 a third party pursuant to Fed. R. Civ. P. 25(c), the Motion to Dismiss should be denied.

5 The Court has reviewed each of the pending Motions, together with their respective
6 Responses and Replies in light of the circumstances of this case, and issues its ruling on each Motion
7 jointly herein.

8 **II. Standard of Law for Injunctive Relief**

9 The basis for injunctive relief in the federal courts is irreparable injury and the inadequacy of
10 legal remedies. See Weinberger v. Romero-Barcello, 456 U.S. 305, 312 (1982). In each case, the
11 Court must balance the competing claims of injury and must consider the effect on each party of the
12 granting or withholding of the requested relief. All courts agree that the plaintiff must satisfy the
13 general equitable requirements by showing a significant threat of irreparable injury and that the legal
14 remedies are inadequate. See Arcamuzi v. Cont'l Airlines, Inc., 819 F.2d 935, 937 (9th Cir. 1987).
15 The traditional test focuses on whether the plaintiff has demonstrated a fair chance of success on the
16 merits at the minimum, a significant threat of irreparable injury, at least a minimal tip in the balance
17 of hardships, and whether any public interest favors granting the injunction. See American
18 Motorcycle Ass'n v. Watt, 714 F.2d 962, 965 (9th Cir. 1983). An alternative test permits the
19 plaintiff to meet its burden by showing either a combination of probable success on the merits and
20 the possibility of irreparable injury or serious questions as to these matters and the balance of
21 hardships tips sharply in plaintiff's favor. See First Brands Corp. v. Fred Meyer, Inc., 809 F.2d 1378
22 (9th Cir. 1987). These are not separate tests but the outer reaches of a single continuum. See L.A.
23 Mem'l Coliseum Comm'n v. NFL, 634 F.2d 1197, 1201 (9th Cir. 1980.)

24 The FDIC argues that it has a strong likelihood of success on the merits on all of its claims,
25 given Defendants' failure to pay the amounts due and owing on their loans. The Court agrees with
26

1 Defendants as to the likelihood of success on the merits of their breach of contract related claims,
 2 however, other factors do not favor a finding for injunctive relief at this time.

3 The Motion seeking Injunctive Relief (#5) states that “this motion presents a real
 4 emergency”, and that “unless the FDIC gains immediate possession of the borrowers’ inventory, that
 5 collateral is in immediate danger of being moved, concealed, and/or disposed of.” (#5 at 3.)
 6 However, as stated above, since the filing said Motion the parties have stipulated to allow the
 7 Defendants to continue operating their stores in the ordinary course of business. Additionally, the
 8 Defendants have agreed not to move, sell, or otherwise transfer their inventory. Moreover, it is
 9 undisputed that the FDIC has sold four of the five Loans to a third party. All of these factors militate
 10 strongly against a finding of irreparable injury and the emergent circumstances required to merit the
 11 extraordinary remedy of injunctive relief. Because the landscape of this action has changed so
 12 dramatically, and the businesses appear to be open and functioning, the Court cannot find that the
 13 balance of hardships or public interest lean towards the issuance of injunctive relief at this time.

14 Additionally, the Court finds that the language of the Motion, although immediate at some
 15 times, conversely contains rhetoric lacking in emergent necessity. For example, the Motion states
 16 that eviction “may be” imminent, yet fails to give the Court any indication that eviction has been
 17 threatened at the store properties. (#4 at 7.) Additionally, the Motion goes on to state that if the
 18 Defendants should be evicted, “it is likely” that the Borrowers will co-mingle the collateral with the
 19 inventory in the other shops. Id. It is undisputed however, that Defendants have agreed not to
 20 transfer any inventory. (Id.) Accordingly, the Court finds that injunctive relief is not necessary to
 21 guard against the inadequacy of legal remedy at this time. Therefore, Plaintiffs’ Motion for
 22 Preliminary Injunction should be denied.¹

23
 24
 25
 26 ¹Because the Court denies the issuance of injunctive relief, the Court also finds that Defendants’ Motions for a
 Writ of Possession (#16), and Motion to Appoint Receiver (#17) should be denied.

1 **III. Motion to Dismiss**

2 Additionally, Fed. R. Civ. P. 25(c) expressly provides for an action to continue “by or against
3 the original party” when a party’s interest is transferred to another party. Here, the FDIC avers that it
4 still owns Loan No. 9014001045, and that the lawsuit may proceed in the name of either FDIC or the
5 new owner of the remaining loans, 2010-1 CRE Venture, LLC (“CRE”). The Court agrees.

6 The FDIC states that it will submit a motion to substitute CRE as the plaintiff for the loans it
7 now owns. Accordingly, the Court finds that Defendants’ Motion to Dismiss (#19) should be denied,
8 and the FDIC shall submit a motion to substitute pursuant to Rule 25.

9 **IV. Conclusion**

10 Accordingly, good cause appearing, **IT IS HEREBY ORDERED** that Plaintiff Federal
11 Deposit Insurance Corporation’s Motions for Temporary Restraining Order, Preliminary Injunction,
12 Writ of Possession, and Appointment of Receiver (##4, 5, 16, 17) are **DENIED**.

13 **IT IS FURTHER ORDERED** that Defendants’ Motion to Dismiss (#19) is **DENIED**.

14 **IT IS FURTHER ORDERED** Plaintiff Federal Deposit Insurance Corporation shall submit
15 a motion to substitute on or before April 20, 2011.

16 **IT IS FURTHER ORDERED** that Defendants’ Motion for Hearing (#18) is **DENIED** as
17 moot.

18 DATED this 29th day of March 2011.

19 
20

21

Kent J. Dawson
22 United States District Judge
23
24
25
26